LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6896 **NOTE PREPARED:** Dec 30, 2002
BILL NUMBER: HB 1746 **BILL AMENDED:**

SUBJECT: Tax Anticipation Warrants.

FIRST AUTHOR: Rep. Scholer **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **IMPACT:** Local
DEDICATED
FEDERAL

Summary of Legislation: This bill eliminates a cross reference to a repealed provision. It allows a school corporation to issue tax anticipation warrants that exceed 80% of the anticipated tax and tuition support distributions receivable from the June settlement from the county auditor if the amount of the warrants does not exceed the total receivable for the entire year. The bill repeals a provision that grants substantially similar anticipation loan authority specifically to school towns and school cities.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The bill allows schools to borrow up to 80% of their anticipated tax and tuition support distributions for the calendar year. Under current law temporary loans due on or before December 31 cannot exceed 80% of the taxes and tuition support to be collected in the second six months of the calendar year. If a school needs temporary loans greater than the 80% of the second six months revenue, they can borrow up to 80% of the tax and tuition support revenue to be collected in the first six months, but the loan has to be repaid on or before June 30. During a year of reassessment, the June distribution of property taxes may be made late. The school then might not have the revenue to repay a temporary loan due on June 30. The increase in the borrowing capacity could increase interest payments. The interest on loans can be paid from the debt service fund.

During the 2001 calendar year, schools repaid temporary loans totaling $486.6 M between July and

December of 2001 and temporary loans totaling $57.6 M between January and June 2001. The interest paid on the temporary loans was $21.1 M. During the last reassessment, the temporary loans schools repaid increased by 23.4%: from $543.5 M in CY 1995 to $721.3 M in CY 1996.

Explanation of Local Revenues: See *Explanation of Local Expenditures.*

State Agencies Affected:

Local Agencies Affected: School Corporations.

Information Sources: Department of Education Databases.

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